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SUBJECT: EU RECEIVES DEFENSE DEPARTMENT REPORT ON CHINA

REF: A. (A) STATE 133146

1B. (B) STATE 133722

11. (SBU) On July 25 and 26, we delivered Reftel A points to Ana Ramirez, Principal Administrator for China and Southeast Asia at the European Council, and Henriette Geiger, China Desk Officer at the European Commission. Both expressed appreciation for the report and talking points. They pointed out that the EU has no independent way to track or confirm China's military modernization (other than anecdotal information gathered by EU officials visiting China, and the small EU delegation in Beijing).

12. (SBU) Neither seemed alarmed by the 13% growth in military spending cited in the report, pointing to China's approximately 9% annual GDP growth in recent years; it is natural for a rapidly growing country to spend more on defense, they said. However, they acknowledged concerns about China's relationship with Taiwan, saying even high-level Chinese officials have grown more "emotional" about the issue in recent months, and suggesting the EU and U.S. should cooperate to support low-profile negotiations between China and Taiwan.

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